

**EAST BAY MUNICIPAL UTILITY DISTRICT**

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WATER—
WHAT WILL
IT COST?

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WATER — WHAT WILL IT COST?

Rising costs for operating, maintaining and improving the East Bay water system, and continued low water consumption will require an overall increase of 25 to 35 percent over the next two years in East Bay Municipal Utility District water rates and other charges.

Along with the need for additional revenue for the water system, the EBMUD Board of Directors is considering changes in the structure of water rates. A Citizens Advisory Committee completed a review of EBMUD's present rate structure and financial policies last year, and workshops and public hearings have been held to study the committee's recommendations.

EBMUD is looking at the questions of how much of an increase in revenue will be needed, and how rate increases and other charges will be distributed among East Bay customers.

An increase in the water rates and service charges will have an impact on all EBMUD customers. Rate structure modifications may increase the impact for certain classes of customers or reduce it for others. Various alternatives for new rate structures have different potential effects, some significant, on the bills of certain customers. Some types of other charges, such as increases for private fire services, main extensions and major facilities, will affect comparatively few customers.

PUBLIC HEARINGS

Because of the wide and varied impact of water rate increases and structure modifications, EBMUD invites comments and information from the public regarding rates and charges. Six public hearings, in the last week in February and in the first week in March, will be held in San Leandro, Albany, Walnut Creek, Berkeley, Richmond, and in Oakland.

After these public hearings, the EBMUD

Board of Directors will consider specific proposals for increases in rates and charges based on information from the hearings, the Citizens Advisory Committee recommendations, and EBMUD financial needs.

A final public hearing on these specific proposed rates and charges will be held in mid-April. Increases adopted by the Board at the end of April would take effect on May 1.

PUBLIC HEARING SCHEDULE

Albany

Tuesday, February 27, 7:30 p.m.
Albany City Hall
1000 San Pablo Avenue

San Leandro

Wednesday, February 28, 7:30 p.m.
San Leandro Library Center
300 Estudillo Avenue

Walnut Creek

Thursday, March 1, 7:30 p.m.
Tice Valley School
2071 Tice Valley Blvd.

Berkeley

Saturday, March 3, 9:30 a.m.
San Pablo Park Recreation Center
2800 Park Street

Richmond

Wednesday, March 7, 7:30 p.m.
Richmond Auditorium
Macdonald Avenue - Civic Center

Oakland

Thursday, March 8, 7:30 p.m.
Lowell Middle School
1330 Filbert Street

THE NEED FOR A REVENUE INCREASE

Without an increase in revenue, EBMUD's financial situation would deteriorate seriously, and the principal consequence would be deterioration in the water system and level of service to customers. The District by law cannot operate in a deficit position, even for a short period.

Inflation has pushed EBMUD's costs higher at an alarming rate. Since 1974, the date of the last regular, non-drought rate increase, operating and maintenance expenses have increased 64 percent — more than 10 percent a year. In that same period, operating revenue from water customers has increased only 18 percent.

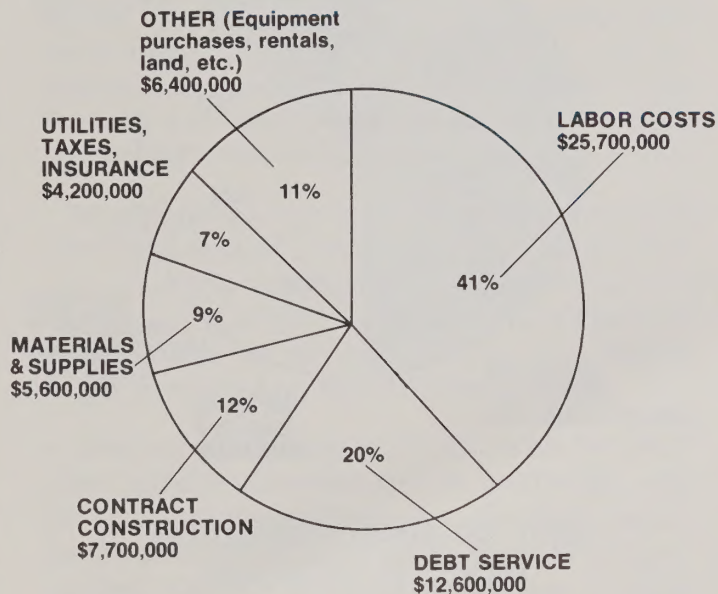
The drought reduced water consumption, and presently EBMUD customers are using only about 75 percent of what used to be called normal. Although the price of water has increased in this period, it has not increased enough to compensate for inflation, drought emergency costs, expensive mandated capital programs, and reduced consumption. The cost of running the water system does not fluctuate with consumption. If present water use were as high as

pre-drought consumption, the rate increase needed now would be much less.

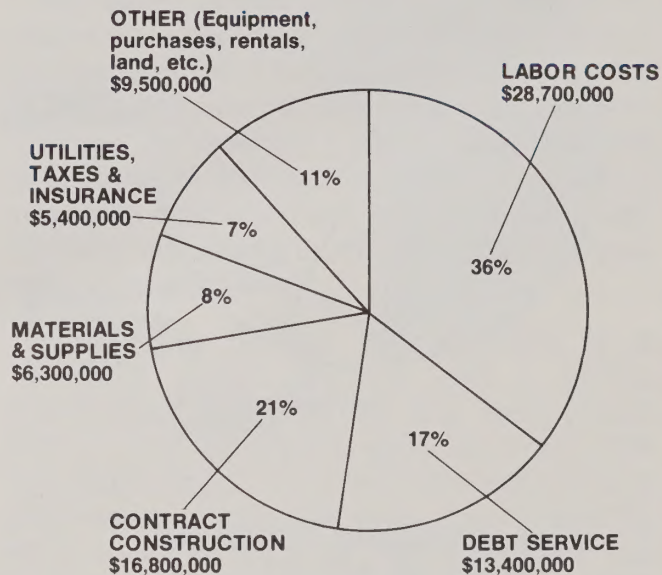
Because of the effects of Proposition 13 and the drought on EBMUD finances, much system maintenance and replacement of water pipe has been deferred, and the number of employees has been cut back. Such deferrals, however, can only be short-term measures in order to avoid the risk of letting the water system deteriorate. Already the system is experiencing greater leakage and breakdowns of equipment.

EBMUD's construction costs also are increasing. Modifying dams in order to meet new State requirements for earthquake safety will cost EBMUD approximately \$35 million. New Federal and State standards for drinking water will require costly modifications of water treatment facilities. The growth in the demand for water service in sections of the EBMUD service area require new distribution reservoirs, pumping plants and pipelines in order to assure adequate supplies of water.

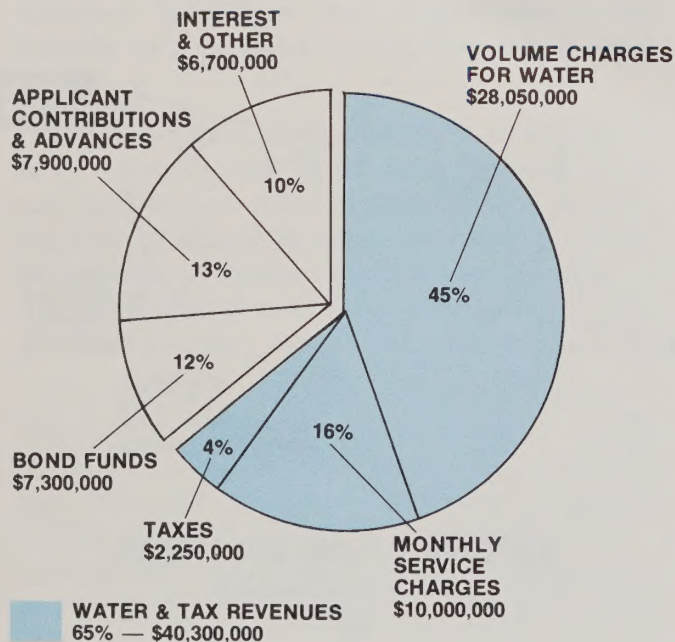
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EXPENDITURES
\$62,200,000 Preliminary Total



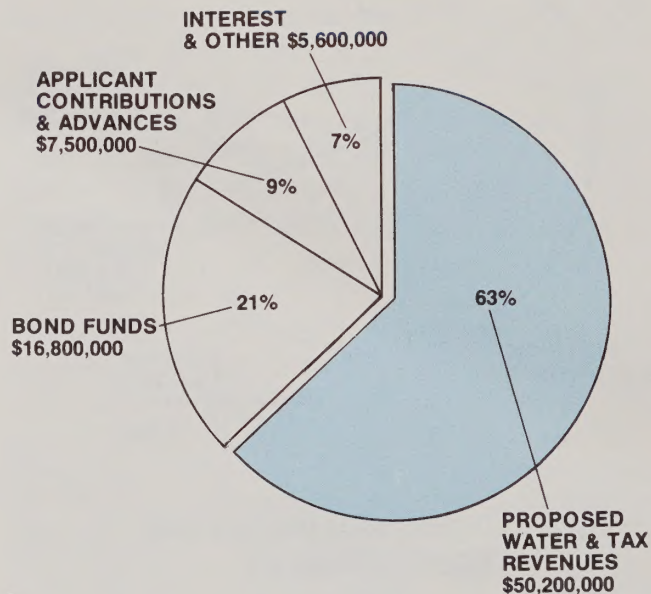
1980
EXPENDITURES
\$80,100,000 Preliminary Total



1979
SOURCES OF CASH
\$62,200,000 Preliminary Total



1980
SOURCES OF CASH
\$80,100,000 Preliminary Total



RATE STRUCTURE ALTERNATIVES

In addition to the need for higher revenues is the question of rate structure. If no rate increase were planned, a change in the structure would increase rates for some customers and lower them for others. When combined with an overall increase, the structure change may magnify the effect of the increases for certain customers.

Modifications in water rate structures would result in a shift of cost from some users to other users. Lifeline rates are an example of this kind of shift — the elimination of the lifeline discount would lower the cost per unit for non-lifeline water consumption by about three cents.

Another alternative is the Citizens Advisory Committee recommendation to freeze the rates for public agencies that were affected directly by Proposition 13. If these customers are excluded from the anticipated increase in rates and other charges, as the committee recom-

mended, the unit rate for other water users would be about one cent higher.

Six alternative rate structures have been suggested for consideration by the EBMUD Board of Directors. The differences between them are in matters of whether there is a low-volume or “lifeline” discount for water, whether the unit price of water decreases as more is used by a customer, whether there is one or more rate “blocks,” and whether the difference in block rates is large or small.

1. **Existing EBMUD rate structure** is a “declining block” structure with a lifeline modification. Except for the first, lower-priced lifeline block, the price of water declines in the next three blocks. It is based on economic and engineering studies that show it is cheaper to serve a unit of water to customers who use large amounts at a constant rate than many small customers with varying amounts of use.

2. **Uniform rate structure** has one price of water for all water used. There is no lifeline or large volume discount, and it results in a proportionately higher rate increase for large users and lower rate increase for smaller users.

3. **Uniform rate with lifeline** is similar to the structure in #2, except that by including a low-volume discount, the smallest users of water would pay even less per unit, and the largest would pay more.

4. **Citizens Advisory Committee rate structure** separates residential from non-residential use, and proposes separate structures for the two classes. The non-residential structure is a two-block declining rate, and the rate difference between the two would be limited to less than 5 percent. About half of the total water used in the East Bay would be in the first block, and the balance in the second.

The residential rate structure includes a lifeline discount and the cost of the discount to low-volume users would be added to the price of all other residential use. This would result in significantly higher costs for residential customers who use large quantities of water for irrigation.

5. **Cost-based rate structure** is similar in concept to the existing rate structure, except that there are only two rate blocks. The first rate block would include almost all the water used by residential customers, including peak summer irrigation demand. It is based on the same economic studies as alternative #1.

6. **Cost-based rate with lifeline** is similar to #5, except that the low-volume discount which the smallest customer would pay results in higher rates for larger consumers.

PRIVATE FIRE SERVICE CHARGES

EBMUD has about 2200 private fire service accounts which are mostly large commercial, industrial and public agency customers. The fire service connections enable these customers to have fire sprinkler systems, and ordinarily no water is used except for fires. There is no charge for the water that is used for fighting fires.

The Citizens Advisory Committee recom-

mended that the meter charges for private fire service connections be increased to the same level as meter charges for regular service connections. Increasing the fire service charges would result in about \$2.5 million additional revenue a year. This is the equivalent to about three cents on the rate per unit of water. If private fire service charges are not increased as recommended by the committee, water rate increases would be three cents higher.

SERVICE CHARGES

EBMUD water bills have both a charge for the amount of water used by a customer between meter readings, and a service charge based on the size of the meter. The service charge is billed regardless of the amount of water used. More than 90 percent of EBMUD's customers have the smallest size meter and pay the lowest charge.

Based on the Citizens Advisory Committee recommendation, the method for determining monthly service charges will be modified to include the factor of meter capacity. This will increase the proportionate share paid by customers with large meters, and lower the amount of increase for smaller meters.

ALTERNATIVE RATE STRUCTURES

One unit of water equals 100 cubic feet or 748 gallons
Rates are preliminary and would produce the same revenue

Monthly Consumption Block		Existing Rates	1 New Rate Existing Structure	2 Uniform Rate	3 Uniform Rate With Lifeline	4 Citizens Committee Rate Structure		5 Cost Based Rates	6 Cost Based Rates With Lifeline
						Residential	All Others		
0 -	5 Units	.34	.42	—	.37	.36	—	—	.39
0 -	40 Units	—	—	—	—	—	.48	—	—
0 -	500 Units	—	—	—	—	—	—	.49	—
6 -	40 Units	.44	.54	—	—	.55	—	—	—
6 -	500 Units	—	—	—	—	—	—	—	.52
41 -	4,000 Units	.41	.46	—	—	—	—	—	—
Over	5 Units	—	—	—	.50	—	—	—	—
Over	40 Units	—	—	—	—	.53	.46	—	—
Over	500 Units	—	—	—	—	—	—	.41	.44
Over	4,000 Units	.37	.46	—	—	—	—	—	—
All Water		—	—	.47	—	—	—	—	—
Monthly Service Charge (5/8" meter)		2.30	2.85	2.60	2.60	2.60	2.60	2.60	2.60

IMPACT OF PRELIMINARY RATE ALTERNATIVES VARIOUS CONSUMPTION LEVELS MONTHLY CHARGE FOR WATER & SERVICE CHARGE

Monthly Consumption*	Existing Rates	1 New Rate Existing Structure	2 Uniform Rate	3 Uniform Rate With Lifeline	4 Citizens Committee	5 Cost Based Rates	6 Cost Based Rates With Lifeline
Residential Users							
Small User (5/8)							
5 Units	4.00	4.95	4.95	4.45	4.40	5.05	4.55
Median User (5/8)							
10 Units	6.20	7.65	7.30	6.95	7.15	7.50	7.15
Large User (5/8)							
20 Units	10.60	13.05	12.00	11.95	12.65	12.40	12.35
Other Users							
Small Mfg. Plant (1)							
100 Units	45.10	55.20	52.00	54.35	51.80	54.00	56.35
Hotel (6) 1000 Units	470.70	575.00	570.00	599.35	560.80	550.00	579.35
Fruit & Veg. Canner (10)							
10,000 Units	3,995.70	4,927.00	4,925.00	5,224.35	4,825.80	4,365.00	4,664.35
Large Public Agency (12)							
80,000 Units	29,935.70	37,176.00	37,900.00	40,299.35	37,100.80	33,140.00	35,539.35
Large Industrial User (80)							
800,000 Units	296,510.70	368,591.00	376,610.00	400,609.35	368,610.80	328,650.00	352,649.35

* Rates shown in these tables assume a continued share of the local tax-pool, increased charges for private fire services, and no moratorium for public agency increases. All alternatives would produce approximately the same revenue. Meter size is indicated in parenthesis.

MONTHLY SERVICE CHARGES

Meter Size	Number of Accounts	Current Service Charge	Proposed Service Charge	Current Private Fire Service Rate	Proposed Private Fire Service Rate	Number of Private Fire Service Accounts
5/8 & 3/4"	293,205	\$ 2.30	\$ 2.60	\$ 6.00	\$ 2.60	6
1"	11,300	3.40	5.00	6.00	5.00	1
1 1/2"	4,386	6.25	10.00	6.00	10.00	11
2"	3,060	9.00	15.00	6.00	15.00	32
3"	770	20.00	33.00	6.00	33.00	-0-
4"	360	30.00	50.00	6.00	50.00	450
6"	225	60.00	100.00	9.00	100.00	830
8"	75	100.00	165.00	12.00	165.00	770
10"	4	135.00	225.00	15.00	225.00	100
12"	12	175.00	300.00	18.00	300.00	-0-
14"	1	225.00	400.00	21.00	400.00	-0-
16"	1	285.00	500.00	24.00	500.00	1
18"	1	350.00	610.00	27.00	610.00	-0-
TOTAL	<u>313,400</u>					<u>2001</u>

Estimated annual increased revenue from domestic services is \$2,000,000, which is equivalent to nearly 3 cents for each unit of consumption.

Estimated annual increased revenue from private fire services is \$2,500,000, which is equivalent to about 3 cents for each unit of consumption.

THE PRICE OF WATER IN OTHER WATER AGENCIES

The following table includes the rates charged by other water agencies in the Bay

Area, and the amount that typical residential customers would pay in each city or district.

Water Rate Characteristics	Present East Bay MUD*	Alameda County WD*	Contra Costa County WD*	Hayward	Livermore	Marin Municipal WD*	Martinez	North Marin WD	San Francisco*
Rate Structure	Declining	Residential -Single Others -Declining	Single	Declining	Single	Single	Single	Single	Single
Basic Volume Rate	.44	.45	.38+	.54	.517	.83	.61	.43	.37
Lowest Unit Rate	.37	.26	.38+	.40	.517	.83	.61	.43	.37
Number of Rate Blocks (exclusive of lifeline)	3	4	1	3	1	1	1	1	1
Lifeline Rate	Yes	No	No	No	Yes	No	No	No	No
-Quantity	5 Units				5 Units				
-Amount	.34				.373				
Monthly Service Charge									
-5/8" meter	2.30	3.60	2.00	1.95	3.00	2.50	3.40	2.50	1.05
Monthly Total Water Chg.									
-5 Units	4.00	5.85	3.90+	4.65	4.87	6.65	6.45	4.65	2.90
-10 Units	6.20	8.10	5.80+	7.35	7.45	10.80	9.50	6.80	4.75
-20 Units	10.60	12.60	9.40+	12.75	12.62	19.10	15.60	11.10	8.45
Tax Revenue	Yes	Yes	Yes	No	No	No	No	Yes	No

*Indicates rate increase in process.

One Unit of water equals 100 cubic feet or 748 gallons.

PROPERTY TAXES

Before Proposition 13, EBMUD received about \$6.3 million a year from tax revenue, or about 10 percent of its total budget. Since Jarvis-Gann, EBMUD receives about \$2.2 million as its pro-rated share from the Alameda and Contra Costa county tax pools.

The Citizens Advisory Committee recommended that EBMUD no longer use tax revenue and make up the revenue loss through higher water rates and increased charges, especially in the amounts charged for private fire services.

If property taxes are eliminated entirely as a source of EBMUD revenue, the overall unit price of water would be three cents higher than otherwise. The amount of taxes paid by property owners still would be the same, but the share

of the tax pool that would have gone to EBMUD would be redistributed to other public agencies in the East Bay.

An alternative in regard to property taxes is to levy a tax that would cover EBMUD's costs for bonded indebtedness. This is expressly permitted by Proposition 13, and it would raise up to \$13.4 million from property taxes with a tax rate of about 27 cents per \$100 assessed valuation. This special tax would reduce water rates otherwise needed by approximately eighteen cents per "unit" of 748 gallons.

A third alternative is for EBMUD to retain its share of the local tax pool raised under Jarvis-Gann. This would allow a smaller water rate increase, and would not increase property taxes.

CHARGES FOR EXTENSION OF WATER SERVICE TO NEW CUSTOMERS

The Citizens Advisory Committee recommended that developers and other applicants for new water service pay the full cost of extending water service to their properties. This proposal conforms to the direction EBMUD already has been taking; however, it will require significant restructuring of charges to implement fully.

A preliminary proposal would eliminate the existing \$350 "standard participation charge" which is paid by all applicants for new water service in the EBMUD service area, as well as the \$1200 per dwelling unit refundable advance required when new major facilities are needed to provide service.

In their place would be a new two-level connection charge that would distinguish between areas that require new reservoirs, pumping plants or other major water distribution facilities to serve applicants, and all other areas that do not. These charges would be in addition to the charges for installation of water service connection, meter, and main extension.

The basic system connection charge in areas not needing facilities under this proposal would

be approximately \$100 per single-family dwelling unit or 5/8-inch meter equivalent. The charge in designated areas where major facilities are scheduled for construction to serve new customers would be approximately \$1800 per dwelling unit or 5/8-inch meter equivalent. Multi-family premises and larger non-residential meters would have larger system connection charges. These charges would be reviewed and adjusted periodically to conform with changing costs.

Other alternatives are being studied; if this or a similar proposal is not implemented, the proposed water rate increases would have to be three cents higher per unit, in 1979-80, and probably higher in later years. Currently, the District charges for 6-inch and 8-inch water mains when they are needed to provide new service. The added costs of larger water mains are absorbed by the District. It is proposed that applicants for water service be charged for the full size mains needed to serve the applicant's property. It is also proposed that charges for water mains be restructured to recover the higher unit costs of short water main extensions.

water rate public hearings

Albany

Tuesday, February 27, 7:30 p.m.
Albany City Hall,
1000 San Pablo Avenue

Berkeley

Saturday, March 3, 9:30 a.m.
San Pablo Park Recreation Center
2800 Park Street

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